

Message Text

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20

ACTION EA-14

INFO OCT-01 ADP-00 OMB-01 CIAE-00 DODE-00 PM-07 H-02

INR-10 L-03 NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SS-15

USIA-12 TRSE-00 SIL-01 LAB-06 AID-20 RSR-01 EB-11

COME-00 /119 W

----- 095870

R 010949 Z JUN 73

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 7163

INFO AMEMBASSY KUALA LUMPUR

AMEMBASSY SINGAPORE

AMCONSUL MEDAN

AMCONSUL SURABAYA

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E. O. 11652: N/A

TAGS: EFIN, PGOV, ID

SUBJECT: CHANGES IN ECONOMIC MINISTRIES FORMATION
OF INVESTMENT COORDINATION BOARD

REF: JAKARTA 6422

1. SUMMARY: SEVERAL KEY SECOND- ECHELON PERSONNEL
SHIFTS APPEAR CONSTITUTE EFFORT BY TECHNOCRATS TO
STRENGTHEN OPERATIONAL EFFECTIVENESS IN ECONOMIC
MINISTRIES. END SUMMARY.

2. TWO IMPORTANT ANNOUNCEMENTS WITHIN PAST WEEK APPEAR
TO REFLECT EFFORT BY GOI TO STRENGTHEN OPERATIONAL
CAPABILITIES OF MINISTRIES NOW UNDER LEADERSHIP OF
ECONOMIC TEAM. MOST CHANGES OCCURRED AT MINISTRY OF
FINANCE WHERE FORMER SECRETARY GENERAL, MAJOR GENERAL
SOEDRAJAT NOW BECOMES VICE CHAIRMAN OF STATE FINANCE IN-
VESTIGATING BORD (BPK) (WHICH REPORTS TO PARLIAMENT AND
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NOT PART OF FINANCE MINISTRY). DRS. SALAMUN, FORMER DIRECTOR GENERAL FOR MONETARY AFFAIRS, NOW BECOMES SECRETARY GENERAL, REPLACED IN FORMER POSITION BY DR. YULIANTO MULYODHARDJO, WHO WAS PREVIOUSLY SALAMUN'S DIRECTOR OF GOVERNMENT ENTERPRISES. FORMER DIRECTOR GENERAL OF CUSTOMS AND EXCISES, MAJOR GENERAL SLAMET DANUSUDIRDJO NOW APPOINTED SECRETARY GENERAL OF MINISTER OF COMMUNICATIONS, AND REPLACED BY BRIG. GENERAL TAHIR, WHO HAS BEEN DEPT. CHAIRMAN OF KOPKAMTIB (DEFENSE SECURITY AUTHORITY) INVESTIGATING TEAM.

3. CONCURRENT DEVELOPMENT WAS ANNOUNCEMENT OF NEW STRUCTURE FOR CAPITAL INVESTMENT COORDINATING BOARD. BY PRESIDENTIAL DECREE NO. 20 ISSUED MAY 26, 1973, BADAN KOORDINASI PENANAMAN MODAL (BKPM) WAS ESTABLISHED WITH CHAIRMAN AND FIVE SPECIALIZED COORDINATORS. NAMED AS CHAIRMAN IS DRS. BARLI HALIM, CONCURRENTLY SECRETARY GENERAL OF DEPARTMENT OF INDUSTRY, WHO ALSO SERVES AS BKPM COORDINATOR FOR ADMINISTRATION AND CONTROL. DEPUTY CHAIRMAN IS IR. SOEHOED, (FORMER CHAIRMAN OF FOREIGN INVESTMENT BOARD), CONCURRENTLY COORDINATOR FOR PROMOTION. THREE OTHER COORDINATORS ARE ALL SECRETARIES GENERAL OF KEY MINISTRIES: DRS. SALAMUN, SG OF DEPT. OF FINANCE, COORDINATOR FOR FACILITIES AND TAX EXEMPTIONS; HERI SUHARTO SH, SG OF JUSTICE, COORDINATOR FOR LEGAL AFFAIRS AND PERSONNEL, AND SOENANDAR PRIYOSOEDARMO, SG OF INTERNAL AFFAIRS DEPT., COORDINATOR FOR LICENSE AFFAIRS FOR REGIONS.

4. IN INAUGURATING BKPM MEMBERS ON MAY 30, PRESIDENT SUHARTO SAID BOARD WOULD OFFICIALLY BEGIN FUNCTIONING ON JUNE 1. ACCORDING DAILY KOMPAS, HE TOLD MEMBERS THAT BKPM MUST BE A "COORDINATING FORUM" THAT COULD HANDLE AND SOLVE ALL INVESTMENT PROBLEMS QUICKLY AND COMPLETELY.

5. PRESIDENTIAL DECREE NO. 21 OF MAY 26, 1973 SETS OUT GENERAL PROCEDURES FOR BKPM OPERATION. INITIAL INQUIRIES INDICATE IT MAY BE AT LEAST ONE MONTH, PROBABLY MUCH LONGER BEFORE BKPM CAN REALLY BEGIN OPERATING IN MEANINGFUL WAY AND THAT MEANWHILE EXISTING PROCEDURES AND REGULATIONS WILL CONTINUE TO BE APPLIED THROUGH EXISTING LIMITED OFFICIAL USE

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INVESTMENT BOARDS. LEADERSHIP OF FOUR SECRETARIES GENERAL APPEARS POTENTIALLY IMPORTANT ASPECT, BUT CRITICAL FACTOR WILL BE EXTENT TO WHICH EACH REALLY PLAYS ACTIVE ROLE OR CHOOSES TO DELEGATE TO SUBORDINATES. WILL REPORT FURTHER ON BKPM PROCEDURES AND PROSPECTS ONCE PROCEDURES DECREE TRANSLATED AND IMPLEMENTATION BEGINS TO TAKE SHAPE.

6. IN TERMS OF PERSONALITIES, SHIFT OF GENERAL SLAMET FROM CUSTOMS TO COMMUNICATIONS MOST INTRIGUING. SLAMET KNOWN AS SCRUPULOUSLY HONEST, REFORM- MINDED AND COMMAND- ING FIGURE WITH CONSIDERABLE POWER AT CUSTOMS AND IN JAKARTA' S PORT TANJUNG PRIOK, PREDOMINATE IMPORT GATE TO INDONESIA. WHILE HE MADE SIGNIFICANT BUT NOT DRAMATIC PROGRESS IN IMPROVING CUSTOMS, HIS REASSIGNMENT COULD EITHER BE REPEAT INDICATION OF TOP LEADERSHIP CONCERN THAT CUSTOMS CLEAN- UP PUSHING TOO CLOSE TO HIGH POLITICAL LEVELS OR (AS CLAIMED BY FINANCE MINISTER ALI WARDHANA - SEE REFTTEL) THAT HIS REFORM TALENTS CONSIDERED MORE NEEDED AT COMMUNICATIONS MINISTRY. TAHIR, WHO BOTH JUNIOR IN RANK, AND OUTSIDE MILITARY MAINSTREAM, SEEMS UNLIKELY CANDIDATE TO IMPROVE ON SLAMET PERFORMANCE, DESPITE REPUTATION FOR INTEGRITY. ELEVATION OF SALAMUN TO SECRETARY GENERALSHIP BRINGS ALI WARDHANA' S MOST TRUSTED AND CLOSEST COLLEAGUE INTO NUMBER 2 POSITION. CONCURRENT ROLE WITH BKPM SHOULD GREATLY FACILITATE FINANCE MINISTRY ATTENTION TO INVESTMENT TAX ISSUES, ONE OF STICKIEST PROBLEM AREAS FOR FOREIGN INVESTORS , IF SALAMUN PLAYS ACTIVE ROLE IN BKPM. NEW DG FOR MONETARY AFFAIRS HAS RECENT PH. D. IN ECONOMICS FROM U. S. UNIVERSITY AND IS CONSIDERED BRIGHTEST, MOST ABLE YOUNG ECONOMIST PRESENTLY BEING GROOMED WITHIN FINANCE MINISTRY.

7. COMMENT: THESE RECENT SHIFTS APPEAR TO BRING CLOSER COLLEAGUES OF ECONOMIC MINISTERS INTO KEY SECRETARY GENERALSHIPS AND TO STRENGTHEN COMPETENCE OF SECON- ECHELON COMMAND OVER FINANCE AND COMMUNICATIONS MINIS- TRIES. ASSIGNMENT OF FOUR SECRETARIES GENERAL TO BKPM APPEARS AT LEAST THEORETICALLY PROMISING FIRST STEP IN DIRECTION STRENGTHENING AND STREAM- LINING INVESTMENT PROCESS. WHILE WE CANNOT YET BE LIMITED OFFICIAL USE

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OPTIMISTIC WE ARE AT LEAST ENCOURAGED.
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*** Current Classification *** LIMITED OFFICIAL USE

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 01 JUN 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973JAKART06502
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: n/a
Errors: n/a
Film Number: n/a
From: JAKARTA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730624/aaaajgri.tel
Line Count: 162
Locator: TEXT ON-LINE
Office: ACTION EA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 73 JAKARTA 6422
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 21 NOV 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <21-Nov-2001 by cunninfx>; APPROVED <17-Dec-2001 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> wfs 980213
Subject: CHANGES IN ECONOMIC MINISTRIES FORMATION OF INVESTMENT COORDINATION BOARD
TAGS: EFIN, PGOV, ID
To: EA
KUALA LUMPUR
MEDAN
SECSTATE WASHDC
SINGAPORE
SURABAYA
Type: TE

Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005